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UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

Final report of the Ad Hoc Working Group on the Role of Enterprises in Development incorporating the report on its second session

held at the Palais des Nations, Geneva,
from 3 to 7 July 1995

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INTRODUCTION

1. The Ad Hoc Working Group on the Role of Enterprises in Development was established by the Trade and Development Board in its decision 415 (XL). In conformity with its terms of reference, as adopted by the Board (see annex II), the Ad Hoc Working Group has been entrusted with the task of analysing the relationship between the development of a domestic entrepreneurial capacity, in particular for the development of small and medium-sized enterprises (SMEs), and the development process, paying special attention to the situation of the least developed countries. In this analysis, the Working Group should cover the role of the State in creating an enabling environment for the promotion of entrepreneurship and the viable development of enterprises, the interactions between the development of SMEs and of capital markets and banking systems, export development and the role of SMEs, and finally the identification of areas where technical cooperation could be strengthened.

2. The Ad Hoc Working Group has held two sessions over a period of three months. The first session took place from 3 to 7 April 1995 while the second session met from 3 to 7 July 1995.

3. Country studies or presentations on the role of enterprises in development have been submitted by Bolivia, China, Colombia, Costa Rica, Czech Republic, Egypt, Ethiopia, Finland, France, Germany, Guinea, Indonesia, Kenya, Lithuania, Malaysia, Mauritius, Nigeria, Norway, Romania, Slovakia, Turkey, and the United Kingdom of Great Britain and Northern Ireland. Furthermore, the experts serving as panellists at the two sessions of the Ad Hoc Working Group also submitted written contributions. A full list of the country contributions and studies by the panellists appears in annex III.

4. At its first session (3 to 7 April 1995), the Ad Hoc Working Group analysed the State's role in the creation of an enabling environment for the promotion of entrepreneurship and enterprises, especially SMEs, with reference to the regulatory framework and incentive structure, human resources development, institution-building and institutional support and the integration of the informal sector into the formal economy. It also examined the role of SMEs in export development, giving due consideration to possible advantages arising from the globalization process.

5. At its second session (3 to 7 July 1995), the Ad Hoc Working Group focused on interactions between the development of SMEs and of capital markets and banking systems, with particular reference to the generation of domestic savings, and access to capital markets and other sources of financing. Furthermore, it sought to identify areas where technical cooperation in support of policy development to enhance the role of SMEs could be strengthened.

6. This final report contains the Conclusions and Recommendations adopted by the Ad Hoc Working Group at its second session and the report of the work of the second session. Annexed is a summary prepared by the secretariat of the main points made in the informal discussions held during the second session. For the main points in the substantive discussions of the first session, a similar summary prepared by the secretariat is annexed to the report of the first session (TD/B/42(1)/2-TD/B/WG.7/4, annex II).

Part One

CONCLUSIONS AND RECOMMENDATIONS

The Ad Hoc Working Group on the Role of Enterprises in Development met in two sessions (first session, 3-7 April, and second session, 3-7 July 1995) in order to undertake the work entrusted to it, as specified in its terms of reference adopted by the Trade and Development Board in decision 415 (XL) (see annex II). Having concluded its work at the second session, the Ad Hoc Working Group adopted the following conclusions and recommendations:

1. Expresses its appreciation to the Governments which have submitted valuable presentations on the experiences of their countries concerning the development of entrepreneurship and enterprises, particularly SMEs;

2. Expresses its thanks to the expert panellists for their important contributions to the work of the Ad Hoc Working Group, as well as for their useful written contributions;

3. Expresses its appreciation to the secretariat for the high-quality documentation submitted to the Ad Hoc Working Group on the substantive items considered at its two sessions, as well as for the useful summaries of the discussions held at the two sessions;

4. Welcomes the rich and constructive exchanges which took place in the first SME-focused intergovernmental process of its kind, which allowed the Ad Hoc Working Group to draw lessons and gain insights from national experiences on the four substantive topics before the Ad Hoc Working Group - enabling environment for entrepreneurial and enterprise development, the role of SMEs in export development, financing needs and problems of SMEs, and policy-related technical cooperation for strengthening the role of SMEs - and to identify "best practices" and other policy elements at the national and international levels that can serve to enhance the role of SMEs in the development process, as reflected in the summaries prepared by the secretariat (see annex I);

5. Welcomes the consensus reached on the important role of SMEs in the development process and the need to provide a supportive infrastructure for SME development, including inter alia:

- The establishment of favourable macroeconomic conditions and a sound policy and commercial framework for business development, resource mobilization, financial institutional development and the promotion of long-term lending for enterprise development;

- Policy and support measures to enhance the availability and efficient utilization of essential inputs of SMEs, including finance, market information and training, as well as to strengthen enterprise capabilities and linkages in order to facilitate the development of enterprises and their expansion into export markets;

- The promotion of various types of financial institutions, including community-based banks, taking into account the importance of personal contact in mobilizing domestic savings, as well as of a dialogue among policy makers, development banks and other financial institutions and SMEs; and

- Technical cooperation in support of policy development, institution building and inter-firm cooperation for enhancing the role of SMEs in the development process;

6. Recommends that technical cooperation be continued and strengthened by both multilateral and bilateral support for SME development and for their role in trade development, including in the following areas: policy and commercial framework for enterprise development; institutional support for SME development; promotion of inter-firm linkages and modernization of SMEs, including the improvement of marketing capabilities; and regional cooperation on SME development, including networking of SME support agencies;

7. Notes that item 3 of the provisional agenda for UNCTAD IX deals specifically with "Promoting enterprise development and competitiveness in developing countries and countries in transition";

8. Considers that the following topics are worthy of further analysis and study:

(a) Nature and causes of market imperfections which inhibit the viable development of SMEs;

(b) Cost and benefit analysis of incentive structures and programmes, such as policy-based lending and credit guarantees, for SME development, including their budgetary impact;

(c) Effectiveness of different types of technical cooperation activities for SME development in the light of experiences gained and the views of recipient countries and enterprises;

(d) Improvement and diversification of the financial sector in order to promote enterprise development;

(e) Facilitation of inter-firm linkages, inter alia, through networking and promotion of standards for information exchange;

9. Considers that the results of the work of the Ad Hoc Working Group, as reflected in its final report and in the report on its first session, provide useful inputs for the preparatory process for UNCTAD IX;

10. Decides to transmit its final report to the Trade and Development Board at its special session for consideration, including the question of any institutional follow-up.

Part Two

WORK OF THE SECOND SESSION

INTRODUCTION

1. The second session of the Ad Hoc Working Group on the Role of Enterprises in Development was held from 3 to 7 July 1995 at the Palais des Nations, Geneva. In the course of the session, the Ad Hoc Working Group held four plenary meetings (5th to 8th) and five informal meetings.

A. Opening statement

2. The **Officer-in-charge of UNCTAD**, in welcoming the participants, noted with satisfaction that the work of the first session had attracted a great deal of interest on the part of Governments, United Nations agencies and the private sector. He said that he was especially impressed by the fact that the participants had not shied away from difficult questions and had been candid in their descriptions of the problems faced. The differences in country conditions and varying levels of development had necessitated a variety of country approaches to the development of small and medium-sized enterprises (SMEs). The deliberations showed a rich diversity of views and experiences, and offered important insights into the crucial role of the Government in creating an enabling environment for SME development. It was generally agreed that Governments might need to intervene in favour of SMEs, especially where there were noticeable market failures, monopolistic market control, bureaucratic or regulatory barriers to competition and market entry or where policies biased in favour of large enterprises prevented SMEs from competing effectively.

3. Turning to the two substantive items on the agenda, he expressed confidence that valuable insights and lessons learned would be drawn from the exchanges of country experiences concerning (a) interactions between the development of SMEs and of capital markets and banking systems; and (b) identification of areas where technical cooperation in support of policy development for SMEs could be strengthened. The question of finance was of vital importance for the viable development of SMEs, since their access to formal financial institutions and organized capital markets was often restricted, compelling them more so than large enterprises to rely on their own savings and retained earnings to finance their operations. Experience had shown that closer cooperation among small firms and between large and small firms, as well as appropriate government support, could play an important role in facilitating access to finance by SMEs. There seemed to be a general consensus that Governments should undertake measures aimed at reducing the inherent risks and the costs related to lending to SMEs, including the development of loan guarantee programmes, as these could have an important bearing on the attitudes and practices of commercial banks. At the same time, consideration needed to be given to minimizing the risk of moral hazard. Furthermore, Governments could help by promoting the development of financial institutions that provided services adapted to the needs of SMEs. Finally, linkages between firms should also be encouraged, as they could bring benefits of economies of scale as well as reinforce the bargaining power of small firms in their dealings with financial institutions. The secretariat had identified four broad areas where technical cooperation in support of policy development

for SMEs could be strengthened: (a) the policy and commercial framework for enterprise development, with particular reference to SMEs; (b) institutional support for SME development; (c) promotion of inter-firm linkages and the modernization of SMEs; and (d) regional cooperation on SME development. The donor community had played and would no doubt continue to play an important role in this regard.

4. In closing, he observed that the identification of "best practices" and other important elements of policy at the national and international levels by the Ad Hoc Working Group could greatly help in the search for ways to strengthen the role of enterprises, particularly small and medium-sized enterprises, in the development process.

Chapter I

INTERACTIONS BETWEEN THE DEVELOPMENT OF SMEs AND OF CAPITAL MARKETS AND BANKING SYSTEMS:

(a) Generation of domestic savings

(b) Access to capital markets and other sources of financing

IDENTIFICATION OF AREAS WHERE TECHNICAL COOPERATION IN SUPPORT OF POLICY DEVELOPMENT TO ENHANCE THE ROLE OF SMEs COULD BE STRENGTHENED

(Agenda items 3 and 4)

5. For its consideration of these items, the Ad Hoc Working Group had before it the following documentation:

"Issues concerning SMEs' access to finance", Report by the UNCTAD secretariat (TD/B/WG.7/6);

"Technical cooperation for policy development to enhance the role of small and medium-sized enterprises", Report by the UNCTAD secretariat (TD/B/WG.7/7).

6. The **Chief, Privatization and Enterprise Development Branch**, introduced the two substantive reports prepared by the secretariat. "Issues concerning SMEs' access to finance" (TD/B/WG.7/6) addressed the main reasons for the difficulties that SMEs faced in securing adequate access to finance for their development and expansion. This report also discussed the role of the formal sector, including commercial banks, development banks, special SME financial institutions, savings banks and credit cooperatives, rural banks and equity and venture capital. It highlighted the role of informal finance, including lending by individual money-lenders, mutual savings and loan associations and partnership firms, and related issues, including regulatory aspects. The document concluded with an examination of measures to enhance the access of SMEs to finance, including the generation of domestic savings. The second report, "Technical cooperation for policy development to enhance the role of small and medium-sized enterprises" (TD/B/WG.7/7), discussed major areas of concern, including how technical cooperation could be strengthened, in order to support policy development for enhancing the role of SMEs in the development process. It built on the work and results of the first session, particularly concerning the creation of favourable "framework" conditions, including a sound policy and commercial framework as well as efficient market conditions, for SME development. Market-based support measures provided to SMEs could ensure the availability and efficient utilization of essential inputs, such as finance and market information, which firms needed for their development and expansion into export markets. The importance had also been recognized of strengthening inter-firm linkages, both domestic and international, for the development and modernization of SMEs. In closing, he

emphasized the important role of the donor community in providing support in various areas, for example in strengthening research and institutional capacity and inter-firm linkages as well as supporting the promotion of regional cooperation on SME development, in order to enhance the role of SMEs in the development process.

7. The representative of **Japan** said that, for successful economic development, it was imperative to foster the private sector and endeavour to promote entrepreneurship and increase productivity. Small and medium-sized enterprises played a significant role in this attainment. While the best policy towards SMEs might be one of "maximum openness, minimum intervention", the Government did have a role in creating a favourable enabling environment, helping SMEs gain access to information, human resources and capital markets. The establishment and growth of an efficient financial sector was an essential condition for the development of a viable private sector; however, in general, it was extremely difficult for small businesses to have access to bank funds at affordable rates of interest. In order to rectify this situation, as well as speed up achieving the objective of developing financial markets, specialized financial institutions had been set up in Japan, Republic of Korea, Taiwan Province of China, Thailand and Malaysia. These had contributed to the growth of this sector. While policy-based financing was one of the most important means by which Governments could foster healthy financial markets, it should be used only as a temporary measure to overcome such "market failures" as externalities, the "paucity of Schumpeterian rents" and the "principle of increasing risk", as observed in the *1994 UNCTAD Trade and Development Report*. Any such measures should be implemented only on a small scale and be aimed at reinforcing the deficient part of the private financial activities only until such time as the latter had acquired capabilities for long-term capital supply and risk management. He then outlined three important considerations when applying policy-based financing: (a) excessive credit supply into the financial market could create inflationary pressures and inefficiency in the allocation of scarce investable resources; (b) the specific financial fields should not be in competition with those of private financial institutions; and (c) elimination of government influence in the decision-making process of lending by the parastatal financial institutions. Policy-based financing in Japan had been successful because of the macroeconomic background against which it had taken place. Relevant in this context was the containment of inflationary pressures through the implementation of good macroeconomic management policies combined with financial austerity which made the maintenance of real interest rates at low equilibrium levels possible and consequently attracted the savings of the Japanese people without weakening their propensity to save. Furthermore, through incentives such as tax exemptions, it had been possible to create a system to retain the surplus cash savings of households at lower deposit rates than those of the commercial banks. Policy-based financing had thus made it possible to ease the burden on the Government's budget. Lastly, the loan guarantee programme employed by the commercial banks had helped in supplying additional funds to the market, further strengthening the Government's policy-based lending programme.

8. The representative of **Spain**, speaking on behalf of the **European Union**, stressed the importance of SMEs as an instrument for economic growth. The useful documentation prepared by the secretariat had mentioned several forms of financing undertaken by credit institutions, development banks and other

financial institutions catering to the needs of SMEs. However, ways in which to form and build up risk capital deserved more attention. There was a need to study informal SME financing, which he considered a form of complementary financing. Viable financing mechanisms depended not only on the development of the financial system and information systems but also on transaction costs as they affected returns on investment and hence credit availability. He emphasized the heterogeneity of SMEs and their relative weakness to influence economic fluctuations and market changes. Successful conclusion of the deliberations should lead to the speedy implementation of concrete actions. Such action would be the most important stage in the work at hand.

9. The representative of **China** expressed appreciation for the high quality of the documentation prepared by the secretariat. The question of financing was relevant worldwide because, for SMEs, the possibility of self-financing was almost invariably limited. The usual major sources of financing, banks, were by definition profit-oriented, and SMEs, usually economically weaker if not viewed as rather insignificant, were rarely in a position at the outset to guarantee a profit to lenders. All this made SMEs financially rather unattractive. Hence strengthening and perfecting national financial systems would improve SME's access to finance in developing countries. For this undertaking the State bore major responsibility. The experiences of other countries would, it was hoped, provide practical guidance for decisions on policy design and likewise the exchange of views of the experts would also contribute significantly to advancing knowledge of this important subject.

10. The representative of **Romania** drew attention to the fact that financing was a major factor inhibiting the development of SMEs in her country. While efforts had been made to modernize the country's banking system, the current unavailability of medium and long-term finance on reasonable terms to SMEs was detrimental to their operations. Rising interest rates had made debt financing unattractive. Consequently, entrepreneurs had to rely primarily on their own resources which often proved to be insufficient. As part of the Government's support policy to SMEs, two soft loan schemes for SMEs were in operation. Finally, she expressed confidence that the session would allow countries to benefit from other countries' experiences concerning effective financial mechanisms and policies facilitating SMEs' access to formal financial institutions, criteria for assessing government interventions and related procedures in favour of SMEs, and mechanisms to strengthen international cooperation to promote growth through the development of the SME sector.

11. The representative of **Indonesia** drew attention to a conclusion reached in the recently concluded discussion on the role of enterprises in development in the ECDC context, which held that it was of great importance to expand contacts and linkages among business enterprises of developing countries through, inter alia, the organization of meetings of business enterprises, dissemination of information on developing countries, support for business associations such as Chambers of Commerce, trading companies and others, promotion of joint ventures, as well as buyer/seller meetings based on precise identification of trade potentials. These were all matters closely related to the concerns of the present Ad Hoc Working Group. The enterprise sector was an integral part of private sector activities and could be categorized as an agent of development. Consequently, it could not be excluded from policy decisions. Substantive support of UNCTAD's work in this area was useful in

enabling the enterprise sector to better confront global markets now that the Uruguay Round had been concluded. Many measures taken in developed country markets were obstacles to market entry of enterprises from developing countries. In Indonesia, the export programme was seen as the engine of economic growth and well-being. To this end, a Ministry on Cooperatives and Small Enterprises had been established. In conclusion, he said that UNCTAD had an important role to play in giving new impetus to the development of operationally oriented export programmes.

12. The spokesman for the **Latin American Group** (Brazil) expressed confidence that the current session of the Ad Hoc Working Group would produce results as positive as the first session. The documents prepared for this session, concerning the problems and potentials of SMEs, had great utility for policy makers in both the economic and social fields in the countries of the region. His Group fully supported the work in this area and he stressed that it was well known that the success of development programmes depended on the vitality of SMEs.

13. The representative of the **Czech Republic**, before turning to the country's current financial institutions for financing small and medium-sized enterprises, referred retrospectively to the externally imposed factors which had had a long-term detrimental impact on the economic development of the former Czechoslovakia, a country once renowned internationally for the quality of its industrial products. However, since the beginning of the economic transition in November 1989, and particularly since the division of former Czechoslovakia in 1993, the Czech Republic had pursued economic reforms which also recognized the importance of SMEs to economic development. A detailed description of the support measures in favour of SMEs was contained in the country presentation which had been made available to the session. Principal financial institutions for SMEs were the Czech-Moravian Guarantee and Development Bank and the Czech Export Bank. The former provided financial assistance to SMEs in the form of price-support guarantees and contributions to interest payments, while the latter financed export credits for SMEs and other firms at more favourable terms than the prevailing market rates and conditions. In conclusion, he stressed that State support must stimulate not supersede entrepreneurial efforts. Such efforts should aim to encourage potential entrepreneurs to start their businesses and help existing ones to innovate and grow, hence the need for strict rules to assure the most effective use of limited State means.

14. The representative of **Nigeria** began by congratulating the Chairman on his conduct of the previous session and commended all who had participated in the work already accomplished, as reflected by the summary of that session. He then introduced Nigeria's country presentation, which was being made available. It covered his country's experience as well as issues discussed by the Working Group at its first session on the question of mobilizing domestic savings for financing SMEs. He mentioned various sources of SME financing in Nigeria, including personal equity, local (family) lending, development finance institutions, special national funds and banks. Nevertheless, credit delivery to SMEs had not been overwhelming. Since the introduction of the Structural Adjustment Programme, in 1986, public sector funding was handled by private financial institutions. However, the commercial and merchant banks often chose to pay penalties for non-observance of the rules rather than commit 20 per cent of their loanable funds to SMEs,

seeking to avoid high risk debt. Moreover, the performance of development finance institutions in providing financial and related services had been inadequate. He then enumerated the obstacles to SME financing, resulting from weaknesses in their structural conditions. To make SMEs more attractive to financial institutions, a Credit Guarantee Scheme was being established in Nigeria. The Privatization and Commercialization Programme had been designed to transfer securities held by the federal Government to private individual and corporate hands, and had significantly boosted the creation of new equity securities on the Nigerian Stock Exchange, stimulated growth of the capital market and enlarged the share owners base. Owing to huge losses incurred by the Government, the sale of shares in public enterprises had been suspended since January 1995 and a new policy of contract-leasing had been introduced, by which assets of 20 public enterprises would be leased to local and foreign entrepreneurs on a "as-it-were" basis. The SME Development Programme for Technical Cooperation had been designed in the framework of the fourth UNDP country programme for Nigeria. It had five sub-programmes covering national development and institutional capacity-building with the aim of enhancing and strengthening the institutional and regulatory framework for promoting, planning and monitoring economic development, particularly through SMEs. Nigeria had initiated actions geared towards strengthening democracy in its political system and appreciated the spirit of understanding and support of the international community in this endeavour. To this end, the financial, technical and other forms of cooperation from the international community and particularly from the World Bank were greatly appreciated.

15. The representative of **Egypt** said that finance was one of the most important hurdles for SMEs' development. Although SMEs could play a major role in advancing economic development and in creating employment, they needed finance to constitute their capital and to begin their activities. Hence, it was vital that they have access to financial resources. In Egypt, four public banks had provided 10 million Egyptian pounds each for SMEs. Banks had also participated in a Loan Guarantee Scheme worth some 228 million Egyptian pounds and cooperated with the Social Development Fund to cover risks faced by SMEs that had set up their operations in underdeveloped regions of the country so as to capture the development-enhancing potential of such enterprises.

16. The representative of **the Gambia** stated that there were several reasons that could explain the modest size of its enterprise sector, the foremost being the existence of more profitable business alternatives, such as commodity trading; secondly, it was difficult to obtain or service credits; thirdly, the banking infrastructure needed for analysing credit risk and follow-up was weak; fourthly, equity participation was not yet considered a viable financing option; fifthly, although improved, the country's infrastructure was still insufficient; and sixthly, the level of literacy was still low. The establishment of an efficient financial sector had been hampered by a number of impediments related to policy where a cohesive strategy was absent, although there were also institutional barriers. Individually, the existing institutions were too small, both in terms of capital and human resources, to be able to mobilize savings on a large scale. As cooperation among institutions was lacking, economies of scale inherent in collaborative activities such as inter-bank lending and risk-syndication could

not be realized. Moreover there were legal barriers. She noted that a legal infrastructure was needed to govern the establishment, operation and supervision of financial intermediaries. Financial barriers also existed. Apart from the Government, only a few large players were capable of funding the establishment of financial institutions. An alternative could be found if entrepreneurs would decide to join efforts, but this would not be easy to realize. Barriers to the development of new products and to meeting the needs of clients were the absence of competition and leadership in the financial community.

Chapter II

PROCEEDINGS OF THE 8th (CLOSING) PLENARY MEETING

A. Action by the Ad Hoc Working Group

17. At its 8th (closing) plenary meeting, the Ad Hoc Working Group took note of the secretariat's summary of the main points discussed during the session under agenda items 3 and 4 and decided to annex the summary to the present report (annex I).

18. At the same plenary meeting, on 7 July 1995, the Ad Hoc Working Group adopted draft conclusions and recommendations and decided to incorporate them into its final report (for the text of the Conclusions and Recommendations, see part one above).

B. Closing statements

19. The spokesman for the **African Group** (United Republic of Tanzania), in congratulating the Chairman on his excellent leadership of the Group, also voiced appreciation for the valuable contributions to the session made by the participants and panellists. He then drew attention to item 3 of the provisional agenda for the ninth session of the United Nations Conference on Trade and Development, namely "Promoting enterprise development and competitiveness in developing countries and countries in transition", expressing confidence that the achievements of the Working Group would stand as a useful input to the Conference.

20. The spokeswoman for **Group B** (Sweden) praised the Chairman for the constructive way in which he had conducted the session, showing efficiency that was evident in the fact that a third session had not been necessary.

21. The representative of **Spain**, speaking on behalf of the **European Union**, thanked the Chairman, participants, panellists and the secretariat whose input had been so important to making the session a success.

22. The spokesman for the **Latin American and Caribbean Group** (Brazil) referred to the useful debates that had taken place during the session, particularly thanks to the experts and panellists who had shared their ideas and experience, and said that the knowledge drawn from this participation had served to convince his Group of the importance of SMEs for regional socio-economic development. The strengthening of small and medium-sized enterprises guaranteed the sustainability of economic growth and job creation. He stated that his Group believed that the Conclusions and Recommendations adopted at the current session would be of great help in the preparations for UNCTAD IX.

23. The representative of **China** noted with satisfaction that the Working Group had fulfilled its mandate, with results that were especially useful to the effort to develop SMEs. The experience and expertise which had been

brought to bear on the subject, particularly as a result of the contributions of delegates from national capitals, had enriched the discussions and deepened the understanding of participants with regard to questions related to SMEs.

24. The spokesman for the **Asian Group** (Indonesia) said that his Group wished to associate itself with China in praising the Chairman for his role in making such a positive start to tackling the subject, especially the identification of areas for policy development with a view to enhancing the role of small and medium-sized enterprises and areas where international cooperation could be strengthened.

25. The representative of **Japan** said that the Chairman's capable leadership and skill had enabled the Working Group to reach a satisfactory outcome. The work of the Bureau had been most valuable as had the pertinent papers and guidance of the secretariat.

26. The representative of **Norway** commended the Chairman for his leadership of the Working Group.

27. The representative of the **Agence de Coopération Culturelle et Technique (ACCT) secretariat** said that his agency comprised francophone intergovernmental organizations with 47 participating members and that he had found the discussions highly enlightening in view of ACCT's intention to launch a multilateral programme to promote SMEs in the least developed countries in particular. He was convinced that the information exchanged during the session would serve as a very useful basis for the future development of the ACCT programme in this field.

28. The **Chief of the Privatization and Enterprise Development Branch** took the floor to voice his appreciation for the valuable contribution that the experts and panellists had made to the session. He expressed his conviction that the process in which the Working Group was engaged was a very useful one. There was a considerable measure of "value added" resulting from the lessons learned and insights gained from the exchanges of national experiences. From this exercise, elements of policy and "best practices" could be drawn; already there was encouraging evidence that the results of the Working Group's deliberations were being used to shape policy at the national level.

29. The **Chairman** said that he was very pleased to have presided over such a rich and constructive exchange of views. He believed that the discussions had helped to form common perceptions as well as to remove some misconceptions. It had been a useful learning and sharing process covering such diversity of experience as the different ways in which savings had been mobilized and how long-term lending had been generated, in addition to many other useful ideas which could be applied by practitioners in member countries. He then drew attention to the relevance of the present body of work to other areas, citing in particular the privatization effort that was under way in many developing countries and countries in transition. Participants in the session had also had a chance to learn about the various support measures around the world, including those provided by both bilateral and multilateral institutions. He noted that this examination of the role of small and medium-sized enterprises

had been the first exercise of its kind at the international level and that it had already proved its value, judging by the application of the results to his own country and elsewhere. A number of areas had been identified as worthy of being pursued further and these suggestions would be brought to the attention of the Trade and Development Board. He was confident that before, during and after UNCTAD IX, these suggestions would constructively and genuinely help to focus attention on the important sector formed by small and medium-sized enterprises because they were the real dynamo propelling the economy in most countries.

Chapter III

ORGANIZATIONAL MATTERS

A. Opening of the session

30. The second session of the Ad Hoc Working Group was opened on 3 July 1995 by the Chairman.

B. Election of officers

(Agenda item 1)

31. The **Chairman** recalled that at its first session in April 1995 the Ad Hoc Working Group on the Role of Enterprises in Development had elected a Bureau consisting of a Chairman, five Vice-Chairmen and a Rapporteur, on the understanding that they would remain in office for the entire duration of the Ad Hoc Working Group. Thus the officers of the second session were:

Chairman:	Mr. Anthony Hill	(Jamaica)
Vice-Chairmen:	Mr. J. Yambao	(Philippines)
	Mr. R. Weber	(Switzerland)
	Mr. V. Skliarov	(Russian Federation)
	Mr. M. Mohammed Salem	(Egypt)
	Ms. V. Fonseca	(Venezuela)
Rapporteur:	Mrs. H. Booth di Giovanni	(United Kingdom of Great Britain and Northern Ireland)

C. Adoption of the agenda and organization of work

(Agenda item 2)

32. At its 5th (opening) plenary meeting of its second session, the Ad Hoc Working Group adopted its provisional agenda (TD/B/WG.7/5) as follows:

1. Election of officers

2. Adoption of the agenda and organization of work

3. Interactions between the development of SMEs and of capital markets and banking systems:

   (a) Generation of domestic savings

   (b) Access to capital markets and other sources of financing

4. Identification of areas where technical cooperation in support of policy development to enhance the role of SMEs could be strengthened

5. Other business

6. Adoption of the report of the Ad Hoc Working Group to the Trade and Development Board

33. At the same meeting, the Ad Hoc Working Group decided to deal with the substantive items on its agenda in informal meetings.

D. Other business

(Agenda item 5)

34. The Ad Hoc Working Group decided not to hold a third session but rather to finalize its work at the second session. It furthermore decided to adopt draft conclusions and recommendations as contained in TD/B/WG.7/L.4 and decided to incorporate them into its final report. For the text of the Conclusions and Recommendations, see part one above.

E. Adoption of the report of the Ad Hoc Working Group to the Trade and Development Board

(Agenda item 6)

35. At its 8th (closing) plenary meeting, on 7 July 1995, the Ad Hoc Working Group adopted its draft report (TD/B/WG.7/L.3) and authorized the Rapporteur to complete the final report to reflect the proceedings of the closing plenary. The Ad Hoc Working Group noted that a draft table of contents of the final report had been circulated during an informal meeting. The final report thus comprises an Introduction, Conclusions and Recommendations, the report on the work of the second session and annexes.

Annex I

SUMMARY PREPARED BY THE SECRETARIAT OF THE MAIN POINTS MADE IN THE DISCUSSIONS

Identification of areas where technical cooperation in support of policy development to enhance the role of SMEs could be strengthened

(Agenda item 4)

Introduction

1. Private sector development is a priority area in technical cooperation between developing countries and countries in transition on the one hand and their multilateral and bilateral partners, on the other. Apart from their support of programmes to improve the macroeconomic environment and the policy and commercial framework for business development, donors also provide direct support for the development of SMEs. Of the $57 billion provided in development aid by OECD countries in 1994, some $1.5 billion was directly devoted to programmes targeted at the creation and development of small firms and microenterprises.

2. However, while significant, particularly for the least developed countries for which foreign aid remains a substantial source of resources for development, such aid is less important than trade, since the foreign exchange earnings from exports of goods and services of developing countries amount to some $1,400 billion. In this perspective, improved access to developed countries' markets for exports from developing countries and countries in transition and the further opening of their own markets can yield greater benefits. Technical cooperation will therefore need to focus on the trade development aspect, including creating the right environment for the development of competitive enterprises in both domestic and foreign markets.

3. The results of multilateral and bilateral technical cooperation programmes have been uneven. While there has been some success, for example in promoting transfer of technology and know-how, the low rate of retention of skills in some countries has tended to detract from the results achieved. Lack of coordination among donors has also led to situations where the projects to be implemented exceed the absorptive capacity of the recipient country. There has been a policy shift towards the development of local expertise and institution-building in order to promote sustainability. The promotion of linkages between donor and partner firms has also been receiving increasing attention.

4. Various donors have developed specialized SME-related expertise over the years in response to aid priorities and the needs of partner countries. Thus, Finland has "specialized" in training and trade promotion, the United States in developing innovative approaches to small business and microenterprise development, Canada and the European Union in promoting inter-firm linkages, Germany in the development of self-help groups, and Switzerland and the United Kingdom in technology transfer.

A. Policy and commercial framework for enterprise development

5. The establishment of favourable macroeconomic conditions and a sound policy and commercial framework can make a critical difference in fostering business confidence and development, promoting resource mobilization and facilitating long-term lending to enterprises, all of which can contribute to the deepening and diversification of the financial sector. Likewise, the reduction or removal of excessive governmental controls may encourage business start-ups, promote competition and allow entrepreneurs to concentrate their energies and resources on winning markets rather than on coping with bureaucratic hurdles. All these factors may count more than finance in influencing the development or survival of SMEs. Further, finance alone is not enough if enterprise capabilities are deficient or the firm has no access to key market information or technology. Appropriate policy and support measures may thus be needed in order to address some of the internal problems of firms, including the provision of training in order to strengthen enterprise capabilities for planning or raising external financing (through, for example, the preparation of proper documentation for loan requests), promoting inter-firm linkages and providing extension services aimed at improving access to market information or technology.

6. In France, improvement of the policy and commercial framework for SMEs has included, inter alia, tax exemption for some 80,000 qualifying microenterprises and simplified regulation to facilitate small business start-ups.

7. Improving the policy and commercial framework also implies transparency, stability and predictability of the framework instruments.

B. Institutional support for SME development

8. The development of entrepreneurship and the strengthening of enterprise capabilities through training programmes are essential for the successful development of firms. The Government may provide such training itself or encourage it, for example by providing financial or fiscal incentives for in-firm training. Such training may also be provided by donors. For example, Japan provides assistance by receiving trainees or by seconding managers of top companies to work in firms of recipient countries. Mexico has set up management training courses in various Central American countries as part of its assistance to these countries.

9. Other aspects of institutional support include measures to facilitate the access of SMEs to information and to advisory services. In the former case, UNCTAD's trade efficiency programme can play an important role. Mexico, with the help of UNIDO, is establishing a subcontracting database on SMEs to enable Mexican SMEs to link up with potential partners in other parts of the world. In Slovakia, the National Agency for the Development of SMEs cooperates with European business information networks and databases through a European Information Centre established in the Agency. In addition, it provides a subcontracting exchange to facilitate linkages between domestic and foreign firms.

10. In donor programmes there is an increasing shift to the strengthening of institutional capacity to address not only macroeconomic issues concerning the policy environment for SME development but also microeconomic issues concerning the functioning of markets. Increasing emphasis is also being given to encouraging policy dialogues between the public sector and local grass-roots organizations, as well as to channelling technical cooperation activities through the latter.

11. Another area for support is the strengthening of research capacities in the area of SME development in developing countries through, inter alia, networking of research institutes of developing countries, both among themselves and with those of developed countries. The establishment of institutions for promoting quality standards and implementing quality control is another area where support may be provided.

C. Promotion of inter-firm linkages and modernization of SMEs

12. Inter-firm linkages, promoted through, inter alia, joint ventures, strategic alliances, franchising and subcontracting arrangements, can play an important role in the modernization of SMEs through technological upgrading and trade development. As an example, some 35,000 joint ventures between Chinese township and village enterprise generated about $40 million of exports in 1994.

13. One example of donor-supported promotion of inter-firm linkages is the Indo-German Export Promotion Project which has helped to build up closer cooperation and supplier relationships between Indian and German firms, not only in traditional sectors such as manufacture of shoes, leather goods, etc., but also in technology-intensive products such as computer software, automobile components and castings. Such linkages help Indian firms to upgrade their technological capabilities and to improve their competitiveness. At the same time, by maintaining an economic policy dialogue with official policy makers, the project contributes to improving the policy and regulatory environment for Indian exporters.

14. The promotion of such linkages assumes a particular importance for African countries in view of the particular problems faced by their SMEs, such as insufficient access to technology and market information.

D. Areas for further work

15. There are certain gaps which can provide areas for further work by both international organizations and donor agencies of developed countries.

16. One area concerns the building up of analytical and research capacity in individual countries in order to analyse, for example, causes of market imperfections or failures, the effects of macroeconomic policies on SMEs, the effectiveness of policy and support measures such as incentives in relation to their objectives and costs, the impact of business laws and regulations on entrepreneurship and business development, including in the informal sector, as well as to formulate modalities for improvement.

17. Another area relates to the lack of information about technical cooperation activities in support of SMEs and their effectiveness. Various countries or integration groupings, including Japan and the European Union, produce annual reports, but there is no comprehensive report on the different types of activities being undertaken in different parts of the world. Such a report could be helpful for achieving a better understanding of the activities being undertaken in support of SME development and also for analysing related industrial policies. Further, there is no forum for exchanging information on such activities, evaluating their effectiveness in the light of the experiences gained and ascertaining the views of recipient countries and enterprises. Often such views are not known, even bilaterally. Exchanges of such information are necessary in order to establish what works and what does not work in technical cooperation programmes, so as to be able to design more effective programmes. The multilateral focus on SMEs, as illustrated by the work of the Ad Hoc Working Group, is new and useful, but more needs to be done in this regard.

18. In order to facilitate inter-firm linkages, there is a need to promote standards for information exchanges which can help to achieve the standardization and comparability of data and increase the efficiency of information flows.

Interaction between the development of SMEs and of capital markets and banking systems

(Agenda item 3)

A. Generation of domestic savings

19. Domestic entrepreneurs play a leading role in promoting economic growth, sustainable development and employment creation through their operations and the mobilization of their personal resources. In most countries, SME entrepreneurs finance a large part of the initial capital of their businesses with their personal savings and that of their relatives and close friends; for expansion, reinvested earnings are the main source of funds. A case can be made, therefore, for encouraging reinvestment through fiscal incentives, for example by granting tax deductions on such earnings for reinvestment.

20. Besides savings of entrepreneurs, the mobilization of household savings for the financing of enterprises depends to a large extent on stable macroeconomic conditions, the existence of efficient institutions and mechanisms to attract savings and a policy and commercial framework which inspires confidence. In Japan, the system of postal savings contributes to an effective mobilization of small savings, given the proximity of post offices and household savers. In other countries, savings banks such as the Grameen Bank of Bangladesh and BancoSol of Bolivia, as well as mutual savings and loan associations of the informal sector, also attract small savers, although the funds so collected at present allow only loans of very small size to be made with short-term maturity. The development of a system of community-based

banks and the focus on personal contacts between banks and customers can contribute to a larger mobilization of small savings and a longer maturity transformation, for the benefit of SME borrowers. Pension funds can also be used to mobilize resources to be invested in SMEs. Improvement in linkages between the formal and informal sectors can also lead to the generation of higher savings and more efficient financial intermediation.

B. Financing needs of SMEs

21. It is difficult to generalize about the most critical financing needs of SMEs. These will depend on the stage of development of the firm, its activities and the macroeconomic environment. As most SMEs are set up through personal savings of the owners, the most important financing need at the early stage is short-term credit for working capital. At a later stage, retained earnings may be insufficient to finance firms' development and expansion and so additional long-term loans and equity would be most needed. Enterprises oriented towards export markets would need export finance and those relying on imported equipment and material would require foreign currency loans. Some countries in transition have had positive experiences in arranging for the use of foreign exchange credit lines with, for example, those of the Japanese Export-Import Bank and the European Union PHARE programme.

22. In developing countries and countries in transition, long-term finance is scarce because the domestic financial system provides mostly, if not exclusively, short-term finance, in the face of high uncertainties. The problem of securing long-term finance for SMEs deserves particular attention. The scope for maturity transformation which enables domestic household savings to be channelled into longer term lending through domestic financial intermediaries depends on achieving macroeconomic stability and a sound commercial policy environment.

C. Obstacles to SMEs' access to finance

23. It was noted that very often the lack of access to finance is not the most critical factor hindering the growth and development of SMEs; rather it is the lack of managerial capabilities such as skills in assessment of input costs, marketing and packaging and preparation of accounts. Another factor is SMEs' involvement in subsistence activities such as those for which commercial markets have not yet developed.

24. The problems of viability and lack of dynamism on the part of SMEs, as reflected in high failure rates and high susceptibility to market changes and economic fluctuations, are important factors explaining their lack of access to formal finance. SMEs often do not have adequate information and understanding of borrowing procedures for obtaining loans in the formal financial sector. Incapacity to provide the required collateral and security or to provide adequate documentation or a proper business plan exclude SMEs from the formal financial sector. Lack of inter-firm cooperation and linkages also weakens SMEs' position vis-à-vis financial institutions. On the other hand, small entrepreneurs may be reluctant to approach financial institutions, because of distrust to disclose information and to share ownership.

25. The problems associated with imperfections of financial markets relate mainly to the difficulties of assessing SMEs' risks and the high administrative costs of lending to SMEs. Financial institutions do not have adequate information and knowledge of the attributes of small borrowers and are reluctant to invest in the acquisition of such information. Because of the high costs involved, the small size of loans does not secure a level of profitability sufficient to cover administrative costs, including the cost of monitoring loan repayment. In the absence of good networks of personal contacts, the cost of acquiring information for assessing risk and monitoring loan repayments is high. Moreover, collateral requirements are often too strict, especially if land collateral is required.

26. In developing countries and countries in transition, in particular, the institutional organization of the formal financial sector often does not cater to the needs of SMEs. In many cases, because of administrative expenses and the high cost of establishing and maintaining branches, banking networks often do not reach populations in remote rural areas. The use of networks of post offices, which often already exist, to provide savings bank facilities (as in the United Kingdom and Japan) can allow remote areas to be reached at lower cost. Lack of specialized institutions and venture capital markets dealing with SMEs' financing does not help to secure adequate long-term finance.

27. Lessons can be learned from the experience of some countries in organizing their financial systems, especially in facilitating SMEs' access to finance. In Japan, for example, the financial system is compartmentalized, as different institutions are established under the guidance of the Government to respond to different needs, for example, long-term credit, trade finance, SMEs' finance, etc. In that context, specialized financial institutions and policy-based lending have been developed to allocate credit to SMEs. Specialized SME financial institutions also exist in some other Asian countries and in some countries in transition such as Slovakia. In Nigeria, a programme for the establishment of community banks was launched in 1990. The shareholders of such banks, particularly the informal financial organizations such as thrift societies, belong to the local community. They mobilize savings from individuals, associations and other sources, including commercial bank loans, and lend to small borrowers in rural areas and microenterprises in urban centres. In this regard, good personal contacts can play an effective role in mobilizing savings and achieving high repayment rates.

28. Government policies can have the effect of weakening SMEs' access to finance. Macroeconomic instability undermines investor confidence in the economy and can drive household savers to hold excessive hard currency cash balances or to hold much of their financial wealth abroad. It shortens the time horizon of businesses, including lending by commercial banks. High inflation rates result in high interest rates which discourage investments, stifle the profits of enterprises and make the costs of borrowing prohibitive for SMEs. On the other hand, structural adjustment programmes are often accompanied by a credit squeeze, making finance even scarcer for SMEs, especially where domestic networks of formal and informal financial intermediation are less well developed.

29. Government controls on financial institutions through interest rate ceilings or direct credit control may discriminate against SMEs. Interest rate ceilings do not allow banks to secure spreads which are high enough to cover transactions costs of lending to SMEs. Directed credit policies often favour the large enterprise sector at the expense of small businesses.

30. Some forms of tax incentives may inadvertently discriminate against investment in SMEs. For example, the policy to accord tax deductions on savings deposited in pension funds, while investment of retained profits in business ventures is not tax deductible, may discourage investment in SMEs.

D. Linkages between the formal and informal sectors

31. The informal financial sector, often characterized by flexibility and speed and by low transactions costs, responds to the needs of those segments of the population excluded from the formal sector. By and large, SMEs, and particularly microenterprises, form the core of the clientele. Despite the absence of any regulatory framework and the minimum collateral requirements, the informal sector in many cases exhibits lower default rates than the formal sector. Closer screening of applicants and stricter monitoring of loans, made possible by the proximity of residences and workplaces of lenders and borrowers, and close personal and community relationships, may explain this result. "Peer pressure" by other members of the community is also effective in exerting discipline on debtors to repay loans.

32. However, the size of loans by informal lenders is very small and the cost is often high. The establishment of linkages between informal and formal financial sectors either for savings activities or credit operations, by taking advantage of the network of information of the informal sector and using the lending facilities of the formal sector, may help to reduce the transactions costs and the interest rates charged on loans. These linkages might be encouraged by appropriate regulatory framework or establishment of a network of support.

E. Government measures to support SME financing

33. Government has a role to play in supporting SME financing. The forms under which government support is provided will depend on the specific conditions of different countries. Generally speaking, fiscal and non-fiscal incentives are both used. These incentives invariably have a subsidy element and involve considerations of equity and efficiency. Fiscal incentives include diverse measures of tax deductions to encourage the creation of new enterprises, investment in infrastructure, research and development activities, etc. Non-fiscal incentives include the establishment of refinancing and rediscounting facilities, special financial institutions lending to SMEs, credit guarantee banks and insurance schemes, venture capital, etc. In situations where many SMEs operate outside the formal tax system, non-fiscal incentives may be more effective than fiscal incentives.

34. Some Governments have relied on selective credit controls, imposing lending quotas on commercial banks in favour of SMEs. The results of these

interventions have been mixed. While this policy has succeeded in increasing financing available to SMEs in some countries, in others, it has resulted in a string of defaults and losses for banks.

35. It is generally felt that the establishment of specialized financial institutions usefully contribute to enhancing access to finance by SMEs. The case of Japan is often cited as a clear success in this respect.

36. The role of development banks and specialized financial institutions in financing SMEs by making available to financial intermediaries refinancing facilities can be strengthened by allowing these bodies to tap the resources of domestic capital markets.

37. As regards the question of subsidies for loans to SMEs, there is a need to weigh the costs and benefits, including social and environmental aspects. In general, subsidies can only be justified if the long-term benefits outweigh the costs, although problems of measurement of long-term benefits, including the definition of what constitutes "long term", may make cost/benefit analysis difficult to undertake. Furthermore, subsidized credit programmes may not only give rise to the risk of moral hazard but also threaten the viability of such programmes. There is therefore a strong case for charging commercial rates, as well as for channelling credit guarantee programmes through financial institutions which are better placed to assess risks.

38. Experiences of credit guarantee schemes in different countries have shown mixed results. In developed countries and countries in transition, there have been some successful schemes. In France, for example, mutual credit guarantee societies (Sociétés de cautionnement mutuel) and insurance schemes funded by banks and small enterprises have contributed to make finance more accessible to SMEs. Likewise, in Japan, there exist nationwide 52 credit guarantee associations which are joint ventures between local government and financial institutions; these local credit guarantee associations, in turn, benefit from the insurance and lending facilities of the government-controlled Small Business Credit Insurance Corporation. In the United Kingdom, a credit guarantee scheme for SMEs has also been established. In the United Kingdom, the moral hazard issue has been of concern in the monitoring and evaluation of the scheme. In addition, measures have been taken in an attempt to reduce default rates by facilitating the access of borrowers to business advisory services which can help firms in overcoming internal weaknesses. In Slovakia, a credit guarantee bank was established in 1991, the first such institution in a country in transition in East and Central Europe.

39. In many countries, however, guarantee funds for SMEs have not been successful, as the rates of default are very high. Furthermore, bad management and problems of moral hazard have often made guarantees inefficient.

40. Innovative methods of financing SMEs have been introduced in some countries. For example, Bancomext of Mexico has established an export credit facility which provides credit to SMEs which are subcontractors to larger exporting firms. Another example is the line of domestic trade credit made available to SMEs by Mexican development banks.

41. In terms of future work, one area concerns the improvement and the diversification of the financial sector (for example, commercial banks, other financial intermediaries, capital markets), in order to promote enterprise development.

42. Furthermore, there is a need to provide a forum which can promote an international dialogue among policy makers, entrepreneurs and associations of SMEs, development banks and other financial institutions as well as donors in order to exchange experiences and lessons learned regarding policy and institutional support, among other issues, in the area of SME development.

Annex II

Terms of reference of the Ad Hoc Working Group on the Role of Enterprises in Development

Pursuant to General Assembly resolution 1995 (XIX), as amended, and to a New Partnership for Development: the Cartagena Commitment adopted at the eighth session of the United Nations Conference on Trade and Development, the Trade and Development Board, having undertaken the mid-term review and evaluation of the work programme of the intergovernmental machinery of UNCTAD, called for by UNCTAD VIII, decides to establish an Ad Hoc Working Group on the Role of Enterprises in Development, with the following terms of reference:

1. The Ad Hoc Working Group should analyse the relationship between the development of a domestic entrepreneurial capacity, in particular for the development of small and medium-sized enterprises (SMEs), and the development process. Particular attention should be paid to the situation of the least developed countries.

2. Topics for analysis should cover:

(a) Role of the State in creating an enabling environment for the promotion of entrepreneurship and the viable development of enterprises, especially SMEs, with reference to the following topics:

(i) Regulatory framework and incentives structures;

(ii) Human resources development;

(iii) Institution-building and institutional support;

(iv) The informal sector and its integration into the formal economy;

(b) Interactions between the development of SMEs and of capital markets and banking systems:

(i) Generation of domestic savings;

(ii) Access to capital markets and other sources of financing;

(c) Export development and the role of SMEs giving due consideration to possible advantages arising from the globalization process;

(d) Identification of areas where technical cooperation in support of policy development to enhance the role of SMEs could be strengthened.

3. The work of the Working Group should follow a progressive sequence in accordance with paragraphs 49 to 60 of the Cartagena Commitment. In line with what is set out in the Cartagena Commitment, particularly paragraphs 18 and 47, the Working Group should be inspired by the need to promote international consensus on principles and strategies for policy action at the national and international levels to enhance the development prospects of member States, particularly those of developing countries. It should provide

a forum for the exchange of experiences among member States so as to enable them to draw appropriate lessons for the formulation and implementation of policies at the national and international levels and for international economic cooperation.

4. The work of the Working Group should be coordinated with that of other Committees and Working Groups.

5. The work of the Working Group should complement that of other international bodies while seeking to ensure that no duplication occurs.

6. The Working Group may recommend for the consideration of the Board the establishment of expert groups.

7. The Working Group may submit interim reports and shall submit a final report on the results of its work to the Trade and Development Board.

Annex III

REPORTS OF THE AD HOC WORKING GROUP, DOCUMENTS PREPARED BY THE SECRETARIAT, COUNTRY SUBMISSIONS AND PANELLISTS' PAPERS

Symbol		Language
	Reports of the Ad Hoc Working Group on the Role of Enterprises in Development	
TD/B/42(1)/2 TD/B/WG.7/4	Report of the Ad Hoc Working Group on the Role of Enterprises in Development on its first session	A/C/E/F/R/S
TD/B/42(1)/17 TD/B/WG.7/8	Final report of the Ad Hoc Working Group on the Role of Enterprises in Development incorporating the report on its second session	A/C/E/F/R/S
	- Documents prepared by the secretariat -	
TD/B/WG.7/2	Creating an enabling environment for the development of enterprises, particularly small and medium-sized enterprises	A/C/E/F/R/S
TD/B/WG.7/3	The role of small and medium-sized enterprises in export development	A/C/E/F/R/S
TD/B/WG.7/6	Issues concerning SMEs' access to finance	A/C/E/F/R/S
TD/B/WG.7/7	Technical cooperation for policy development to enhance the role of small and medium-sized enterprises	A/C/E/F/R/S
	- Country presentations -	
TD/B/WG.7/Misc.1	Kenya	E
TD/B/WG.7/Misc.2	Romania	E
TD/B/WG.7/Misc.3	Mauritius	E
TD/B/WG.7/Misc.4	Guinea	F
TD/B/WG.7/Misc.5	Norway	E
TD/B/WG.7/Misc.6	Germany	E
TD/B/WG.7/Misc.7	Lithuania	E
TD/B/WG.7/Misc.8	Turkey	E
TD/B/WG.7/Misc.9	Bolivia	S
TD/B/WG.7/Misc.10	Ethiopia	E
TD/B/WG.7/Misc.11	China	E/C
TD/B/WG.7/Misc.12	Indonesia	E
TD/B/WG.7/Misc.13	France	F
TD/B/WG.7/Misc.14	Colombia	S
TD/B/WG.7/Misc.15	Costa Rica	S

TD/B/WG.7/Misc.17	Egypt	E
TD/B/WG.7/Misc.18	Malaysia	E
TD/B/WG.7/Misc.19	Slovakia	E
TD/B/WG.7/Misc.20	Nigeria	E
TD/B/WG.7/Misc.22	Finland	E
TD/B/WG.7/Misc.23	United Kingdom	E
TD/B/WG.7/Misc.24	Czech Republic	E

- ***Panellists' papers*** -

Development of SMEs

Mr. CHEE Peng Lim	Small and Medium Enterprises (SMEs) (E)
Mr. William FINSETH	SME Business Development and Export Trade (E)
Mr. Hussein KIARATU	Overview of SMEs Development in [United Republic of] Tanzania (E)
Mr. Zoltán ROMAN	The role of the State in creating an enabling environment for the promotion of SMEs: Notes on Hungarian experiences (E)
Mr. José Carlos VIEIRA DE FIGUEIREDO	The Experience of SEBRAE - Rio de Janeiro

Financing of SMEs

Epargne sans frontière	Le financement des petites et moyennes entreprises en Afrique: Le cas du Ghana, du Mali, de la Tunisie et du Kenya (UNCTAD/GID/17) (F)
Mr. Clemente RUIZ-DURÁN	Financing small and medium enterprises in Latin America (UNCTAD/GID/16) (E)
Ms. Gabriela SEDLAKOVA	Slovak Guarantee Bank: Principle and Mechanism of the Guarantee Option (E)
Mr. Akitoshi TAKATSUKI	Financial System and Economic Development in Japan (E)
Mr. Shamsuddeen USMAN	Financing of small and medium-scale enterprises (SMEs) (E)

Annex IV

LIST OF PANELLISTS AT FIRST AND SECOND SESSIONS

FIRST SESSION

Mr. CHEE Peng Lim, Director, Bureau of Economic Cooperation, ASEAN Secretariat, Indonesia

Mr. William FINSETH, Economic Development Specialist, Southern Africa Division, Canadian International Development Agency, Canada

Mr. Halward HERVIEU, Chef, Bureau de la modernisation des enterprises, Direction de l'artisanat, Ministère des enterprises et du développement économique, Chargé des petites et moyennes enterprises et du commerce et de l'artisanat, France

Mr. Hussein KIARATU, Head, SME Advisory Group, Confederation of Tanzanian Industries, United Republic of Tanzania

Mr. Zoltán ROMAN, President, Hungarian Small Business Association, Hungary

Mr. José Carlos VIEIRA DE FIGUEIREDO, Director, Superintendent, SABRAE/Rio de Janeiro, Brazil

SECOND SESSION

Ms. Raundi HALVORSON-QUEVEDO, Financial Policies and Private Sector Division, Development Cooperation Directorate, OECD, Paris, France

Mr. Dietrich KURTH, Head of Division, Federal Ministry of Economics, Bonn, Germany

Ms. Patricia NALLATAMBY, Chargé d'études, Epargne sans frontière, Paris, France

Mr. Clemente RUIZ-DURÁN, Facultad de Económia, Division de Posgrado, Ciudad Universitaria, Mexico

Ms. Gabriela SEDLAKOVA, Director, Bank Management Division, Slovak Guarantee Bank, Bratislava, Slovakia

Mr. Akitoshi TAKATSUKI, Manager, Research Division, Sakura Bank, Tokyo, Japan

Mr. Shamsuddeen USMAN, Managing Director, NAL Merchant Bank Plc, Lagos, Nigeria

ANNEX V

MEMBERSHIP AND ATTENDANCE a/

1. The following States members of UNCTAD were represented at the session:

Algeria
Argentina
Brazil
China
Cuba
Czech Republic
Egypt
Ethiopia
France
Gambia
Germany
Greece
Honduras
India
Indonesia
Jamaica
Japan
Mexico
Morocco
Netherlands
Nigeria
Norway
Philippines
Poland
Romania
Russian Federation
Slovakia
Switzerland
Thailand
Tunisia
Turkey
United Kingdom of Great Britain and Northern Ireland
United Republic of Tanzania
United States of America
Uruguay
Venezuela
Zimbabwe

2. The following other States members of UNCTAD were represented as observers at the session:

Albania
Bolivia
Costa Rica
El Salvador
Hungary
Iran (Islamic Republic of)
Iraq
Myanmar
Nepal
Saudi Arabia
Spain
Sri Lanka
Sweden
Trinidad and Tobago

3. Represented at the session were:

United Nations Economic Commission for Africa
United Nations Development Programme

The International Trade Centre UNCTAD/GATT was also represented.

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a/ For the list of participants in the second session, see TD/B/WG.7/INF.2. For that of the first session, see TD/B/WG.7/INF.1.

4. The following specialized agencies were represented at the session:

International Labour Organisation
International Monetary Fund

The World Trade Organization was also represented.

5. The following intergovernmental organizations were represented at the session:

Agency for Cultural and Technical Cooperation
European Community
League of Arab States
Organisation for Economic Cooperation and Development

6. The following non-governmental organizations were represented at the session:

General Category

International Chamber of Commerce
World Federation of United Nations Associations

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يمكن الحصول على منشورات الامم المتحدة من المكتبات ودور التوزيع في جميع انحاء العالم . استعلم عنها من المكتبة التي تتعامل معها أو اكتب الى : الامم المتحدة ،قسم البيع في نيويورك او في جنيف .

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